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DENVER AND RIO GRANDE RAILROAD COMPANY



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Western Pacific R.R.

Plan of Reorganization

OF

**The Denver and Rio Grande Railroad
Company**

Dated, January 27, 1922

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NEW YORK, JANUARY 27, 1922.

To the Holders of

**The Denver and Rio Grande Railroad Company
First and Refunding Mortgage 5% Gold Bonds.**

**Certificates of Deposit for said Bonds Issued
under the Deposit Agreement relating thereto, dated May 28, 1917.**

The following Plan and Agreement for the reorganization of The Denver and Rio Grande Railroad Company has been proposed to the undersigned Committee by The Western Pacific Railroad Corporation (the holding company), which Corporation has agreed to be bound by the provisions of the said Plan and Agreement, if approved by the Committee and by the deposit of the requisite proportion of said First and Refunding Mortgage Bonds. The Plan and Agreement has been approved and adopted by the Committee.

It is expected that the consummation of the Plan will result in (1) the furnishing to the reorganized company of such amount of cash toward the rehabilitation of the property as is now absolutely necessary and working capital urgently needed, besides providing for the expenses of the reorganization. The cash is to be supplied by the Western Pacific Corporation and represents a substantial portion of the amount recovered from the old Company on the judgment in favor of The Equitable Trust Company of New York. For it the reorganized company will issue only common stock. The consummation of the Plan will further result in (2) a financial readjustment which should adequately provide for the financing of the future requirements of the system; (3) reduction of the bonded debt and fixed charges of the Company to a limit believed to be safely within the net earning capacity of the reorganized property. Particular attention is called to the provisions of the Plan with respect to the purchase of coupons and the retroactive interest and dividend provisions to be inserted in the new securities.

Provision is made to the end that, if the Plan should not be consummated, the bonds may be returned free of charge to such depositors as shall have assented to the Plan. This, however, does not apply to holders of Certificates of Deposit who dissent.

The Plan is recommended by the Committee as in the interests of the First and Refunding Mortgage Bondholders and in view of the probable default in the payment of the interest due on February 1, 1922, Bondholders are urged promptly to deposit their bonds under the Plan.

B. W. JONES
Secretary
16 Wall St.
New York City

JOHN HENRY HAMMOND
Chairman
BERTRAM CUTLER
CHARLES HAYDEN
ANDREW J. MILLER
FREDERICK STRAUSS
MELVIN A. TRAYLOR
Committee

PLAN OF REORGANIZATION

I.

BONDS WHICH MAY BE DEPOSITED UNDER THE PLAN.

The First and Refunding Mortgage Five Per Cent. Gold Bonds of The Denver and Rio Grande Railroad Company, with coupons maturing February 1, 1922, and subsequent coupons attached.

Depository.

BANKERS TRUST COMPANY
16 Wall St., New York City.

Sub-Depositories.

FIRST TRUST AND SAVINGS BANK,
68 West Monroe St., Chicago, Ill.

PROVIDENT LIFE AND TRUST COMPANY,
Fourth and Chestnut Sts., Philadelphia, Pa.

MERCANTILE TRUST COMPANY,
St. Louis, Mo.

THE INTERNATIONAL TRUST COMPANY,
Denver, Colo.

II.

CONDITIONS OF PARTICIPATION IN PLAN.

This Plan with the Agreement attached has been approved and adopted by the Committee representing the holders of First and Refunding Mortgage Five Per Cent. Gold Bonds of The Denver and Rio Grande Railroad Company under the Deposit Agreement dated May 28, 1917, and a copy of this Plan and Agreement has been filed with Bankers Trust Company, as Depository under said Deposit Agreement, at its office in the Borough of Manhattan in the City of New York. Notice of such filing will be given in accordance with the provisions of the Deposit Agreement. Every holder of a Certificate of Deposit issued under the Deposit Agreement who shall not dissent from the Plan and Agreement in the manner and within the period prescribed in the Deposit Agreement shall be conclusively presumed to have assented to the Plan and Agreement, to have waived any right of withdrawal given by the Deposit Agreement and also to have waived the provision contained in the Deposit Agreement limiting the time within which depositors will be entitled to receive the new securities resulting from the Plan. Holders of Certificates of Deposit not so dissenting will, in the event that this Plan and Agreement shall become effective and binding on holders of Certificates of Deposit issued under said Deposit Agreement, become parties to this Plan and Agreement without the issue of new certificates, and their rights shall be such and such only as are conferred by this Plan and Agreement and shall be subject to compliance with such terms as this Plan and Agreement may impose as conditions of participation in the benefits thereof. Holders of Certificates of Deposit who shall have become parties to this Plan and Agreement in the manner above provided may at any time present their Certificates to the Depository to be stamped as assenting to this Plan and Agreement as provided below with respect to Certificates to be issued to holders of First and Refunding Mortgage Bonds.

Holders of First and Refunding Mortgage Five Per Cent. Gold Bonds of The Denver and Rio Grande Railroad Company, not heretofore deposited, may become entitled to the benefits of this Plan and Agreement by depositing their said bonds with coupons payable February 1, 1922, and all subsequent coupons attached, with the Depository or one of the Sub-Depositories above-named, on or before March 1, 1922. Such holders shall upon such deposit receive, in respect of the bonds so deposited, certificates of deposit of said Depository issued under the Deposit Agreement of May 28, 1917, stamped as assenting to this Plan and Agreement, and by the acceptance thereof shall be deemed to have assented to this Plan and Agreement, to have waived any right of withdrawal given by the Deposit Agreement and also to have waived the provision contained in the Deposit Agreement limiting the time within which depositors will be entitled to receive the new securities resulting from the Plan. Holders of such stamped certificates of deposit shall be bound by this Plan and Agreement, and their rights shall be such and such only as are conferred thereby and shall be subject to compliance with such terms as this Plan and Agreement may impose as conditions of participation in the benefits thereof.

III.

CONDITIONS OF PARTICIPATION IN PURCHASE OF FEBRUARY 1, 1922 COUPON.

Holders of Certificates of Deposit already issued under the Deposit Agreement dated May 28, 1917, may participate in the benefits of the purchase by The Western Pacific Railroad Corporation, hereinafter provided for, of the coupon on the Refunding Bonds payable February 1, 1922, only upon signing and filing with the Depository above-named a written assent to this Plan and Agreement containing a waiver of all right of withdrawal given by the Deposit Agreement and of the provision contained in the Deposit Agreement limiting the time within which depositors will be entitled to receive the new securities resulting from the Plan, and upon presenting their Certificates of Deposit to the Depository, to be stamped accordingly. Blank forms for such assent may be obtained from the Depository or any of the Sub-Depositories.

Holders of Refunding Bonds, not yet deposited, will be entitled to participate in the benefit of such purchase merely by the deposit of their bonds.

IV.

TERMINOLOGY USED IN THE PLAN.

As used in this Plan for convenience of reference, the following terms have the meanings below specified respectively:

The "Old Denver Company" means The Denver and Rio Grande Railroad Company, being the corporation which formerly owned the Denver and Rio Grande system of railways.

The "New Company" means The Denver and Rio Grande Western Railroad Company recently formed under the laws of the State of Delaware, which now owns and operates the system. It also comprehends any other corporation to be formed or now existing which may be employed to take title to the properties now owned by The Denver and Rio Grande Western Railroad Company, as contemplated by this Plan, and the successors of either or both said companies in the ownership and/or operation of the system.

The "Western Pacific Corporation" means The Western Pacific Railroad Corporation, the holding company which now owns the stock of The Western Pacific Railroad Company and the stock of The Denver and Rio Grande Western Railroad Company.

"Refunding Bonds" means the First and Refunding Mortgage Five Per Cent. Gold Bonds of the Old Denver Company.

"Refunding Mortgage" means the First and Refunding Mortgage of the Old Denver Company to Bankers Trust Company, Trustee, dated August 1, 1908, securing the Refunding Bonds.

"Adjustment Bonds" means the Seven Per Cent. Cumulative Adjustment Mortgage Gold Bonds of the Old Denver Company.

"Adjustment Mortgage" means the Adjustment Mortgage of the Old Denver Company to The New York Trust Company, Trustee, dated May 1, 1912, securing the Adjustment Bonds.

The "Committee" means the Committee constituted by the Deposit Agreement dated May 28, 1917, for the Refunding Bonds.

V.

PRELIMINARY STATEMENT.

The railroad properties of the Old Denver Company and various treasury securities were sold on November 20, 1920, pursuant to a decree of sale made by the United States District Court for the District of Colorado in a cause entitled "The Equitable Trust Company of New York, as Trustee, Intervenor and Substituted Plaintiff, *vs.* The Denver and Rio Grande Railroad Company, Defendant, In Equity No. 6782." All of the railroad properties and, with minor exceptions (consisting principally of securities of the Rio Grande Southern Railway Company which have been transferred to the Western Pacific Corporation), the railroad securities formerly in the treasury of the Old Denver Company and remaining in its ownership at the time of sale, were sold to and have been transferred to the New Company. These properties (so far as subject to liens) were acquired subject to the liens which existed at the date of sale and the Committee is advised that no further liens have been created. The transfer took place at the end of July, 1921, the completion of the sale having been delayed, first by litigation (instituted by a committee representing certain stockholders in the Old Denver Company and eventually decided adversely to that Committee's contentions) and subsequently by the necessity of obtaining the approval by the Interstate Commerce Commission of the issuance of stock essential to the acquisition of the properties by the New Company. This stock has now been issued to the Western Pacific Corporation and consists of 300,000 shares of common stock without par value, being the only stock of the New Company outstanding.

Subsequently to the confirmation of sale but in largest part prior to action by the Interstate Commerce Commission, there occurred heavy floods in the Pueblo District and elsewhere in Colorado, which occasioned interruption of traffic and extraordinary and very heavy damage to the physical properties of the Denver and Rio Grande system, which it is estimated have required and will require in the aggregate an expenditure, estimated to amount to \$2,075,000 during the year 1921 and the early part of 1922, for extraordinary maintenance purposes. The foregoing estimate does not take into account expenditures occasioned by such damage to roadbed as has not been sufficiently serious to occasion interruption of traffic. It covers only maintenance necessary to restore the property to a condition believed to be fairly comparable with that which existed prior to the floods in question.

During the years immediately prior to the late receivership of the Old Denver Company, various reports were made upon the condition and needs of the property by railway men and engineers and recently these reports, as well as the property itself, have been re-examined by Mr. Joseph H. Young, the President of the New Company, with the assistance of its operating and engineering staff. Mr. Young's program of rehabilitation and improvement calls for the expenditure during the years 1922-1926 of approximately the sum of \$20,670,237, of which it is estimated that \$4,879,637 will be required for replacements and other work chargeable to operation, \$7,982,500 for additions and betterments to road and structures chargeable to capital account and \$7,808,100 for new motive power and equipment. It will also be necessary, in the opinion of Mr. Young, that further large expenditures for like purposes shall be made during the years immediately following 1926. A copy of Mr. Young's letter is attached (Exhibit 5).

Owing to the low price which the Refunding Bonds command on the market and the limited amount of additional bonds that may be issued under that mortgage (except for refunding purposes), it is impracticable to raise the funds necessary for the purposes above referred to by further issue of Refunding Bonds. But the extinguishment of the Refunding and Adjustment Mortgages of the Old Denver Company which is contemplated by this Plan will ultimately, it is believed, make it practicable through the medium of a bond issue of the New Company, to finance the future requirements of the system.

The funded debt which is now charged upon the property of the New Company, all created by the Old Denver Company or its constituent corporations (none of which has been assumed by the New Company), is the following:

THE DENVER AND RIO GRANDE RAILROAD COMPANY FUNDED DEBT.

<i>In hands of Public:</i>		<i>Principal.</i>	<i>Annual Interest.</i>
<i>Underlying Bonds:</i>			
D&RGRRCO. First Cons. Mtge. 4% Bonds, due Jan. 1, 1936	\$34,125,000.00	\$1,365,000.00	
D&RGRRCO. First Cons. Mtge. 4½% Bonds, due Jan. 1, 1936.....	6,382,000.00	287,190.00	
D&RGRRCO. Improvement Mtge. 5% Bonds, due June 1, 1928.....	8,335,000.00	416,750.00	
RGWRyCO. First Trust Mtge. 4% Bonds, due July 1, 1939	15,190,000.00	607,600.00	
RGWRyCO. First Cons. Mtge. 4% Bonds, due Apr. 1, 1949	15,080,000.00	603,200.00	
	<u>\$79,112,000.00</u>	<u>\$3,279,740.00</u>	
<i>System Bonds:</i>			
D&RGRRCO. First & Ref. Mtge. 5% Bonds, due Aug. 1, 1955	\$31,114,000.00	\$1,555,700.00	
D&RGRRCO. Adj. Mtge. 7% Bonds (Income-Cumulative), due Apr. 1, 1932.....	10,000,000.00	700,000.00	
	<u>\$41,114,000.00</u>	<u>\$2,255,700.00</u>	
Total in hands of public.....	\$120,226,000.00	\$5,535,440.00	
<i>In Sinking Funds:</i>			
First and Refunding Mtge. 5% Bonds in Sinking Fund (Interest bearing)	\$2,830,000.00	\$141,500.00	
Sinking Fund—Annual Installment.....		120,000.00	
Total interest bearing bonded debt and fixed charges of Old Denver Company.	<u>\$123,056,000.00</u>	<u>\$5,796,940.00</u>	
Rio Grande Junction Ry. Co.—First Mortgage 5% Bonds	2,000,000.00	100,000.00	
Total interest bearing bonded debt and fixed charges of the system.....	<u>\$125,056,000.00</u>	<u>\$5,896,940.00</u>	

The Rio Grande Junction Railway Company First Mortgage Bonds are added to the above statement because that Company owns a line of railway constituting an integral part of The Denver and Rio Grande system.

As above stated, the Improvement Mortgage Bonds of The Denver and Rio Grande Railroad Company, of which \$8,335,000 are held by the public, fall due June 1, 1928.

The New Company owes The Western Pacific Railroad Corporation the sum of approximately \$629,000 for money advanced to enable the New Company to pay the installment of interest on the Refunding Bonds which fell due August 1, 1921, and for organization expenses. This indebtedness is unsecured and rests in open account.

As appears from Exhibit 4 annexed hereto, during the first six months of 1921, the Denver and Rio Grande system, then in receivership, failed to earn the interest upon its funded debt; no interest whatever upon either the Refunding Bonds or the Adjustment Bonds was earned; nor was anything earned on account of the sinking fund installment required to be paid for the current year by the Refunding Mortgage; and the

system failed to earn a substantial portion of the amount required for the payment of the interest accruing upon its underlying bonds.

The Committee is informed that during the last six months of 1921, the system showed a substantial improvement in earnings but during that period, after providing for the interest accruing upon underlying bonds, failed by a large amount to earn the interest and sinking fund installment currently accruing upon its Refunding Bonds (For the results of the first eleven months of 1921, see Exhibit 4, annexed hereto). The New Company, on January 7, 1922, had on hand and in transit, available for interest upon underlying bonds, taxes and working capital only the sum of approximately \$780,000. It is certain, therefore, that (after providing for the extraordinary maintenance charges occasioned by flood damage) the installment of interest upon the Refunding Bonds falling due February 1, 1922, will not have been earned, and that the New Company will not have available funds wherewith to meet it.

There are attached hereto:

- (1) Comparison of Capitalization and Fixed Charges.
- (2) General Balance Sheet of The Denver and Rio Grande Western Railroad Company at the time of taking over its property, August 1, 1921.
- (3) A statement of the net income of the Old Denver Company from railroad operations applicable to payment of interest, 1901 to 1920, inclusive.
- (4) A similar consolidated income account of (a) the Receiver of the Old Denver Company and (b) the New Company, January to November, inclusive, 1921.
- (5) Letter of President J. H. Young, of the New Company, dated October 27, 1921.
- (6) Letter of President A. R. Baldwin of The Western Realty Company dated January 18, 1922, as to the estimated value of the properties of that Company.

VI.

NEW COMPANY.

The Refunding Bonds and the Adjustment Bonds will be extinguished by foreclosure or otherwise, and all of the property of the existing New Company, The Denver and Rio Grande Western Railroad Company, (including property not encumbered by mortgage, estimated to be of the value of at least \$3,500,000) will be retained by it or vested in a new company to be formed for that purpose, in either case free from the lien of the mortgages securing the two issues of bonds aforesaid, or substantially that result will be brought about by some method to be agreed upon by the Western Pacific Corporation and the Committee. The said property shall be so retained or taken over, as the case may be, by the New Company subject only to such changes therein as may result from the ordinary course of the business of The Denver and Rio Grande Western Railroad Company and the operation of the system, and subject to current obligations and mortgage liens (except as above provided) and the reservations of the Decrees of Sale and Confirmation under which The Denver and Rio Grande Western Railroad Company now holds the same. Pending the execution or abandonment of the Plan, earnings of The Denver and Rio Grande Western Railroad Company shall not be distributed or withdrawn by the Western Pacific Corporation through the medium of dividends or otherwise for its own benefit.

VII.

PROVISION FOR CASH REQUIREMENTS.

The estimated cash requirements of the Plan are \$10,000,000. It is estimated that this amount should be made available for use as contemplated hereby, in addition to present working capital, in order that the railroad properties of the New Company may be efficiently and economically operated. In the event that this Plan is fully consummated, the Western Pacific Corporation is to supply this amount in cash or property or in securities to be converted into cash, of which, except as hereinafter provided, not less than \$5,000,000 shall be made available to the New Company within one year from the date of the completion of the reorganization hereunder; not less than an aggregate of \$8,350,000 (*i. e.*, an additional \$3,350,000) within two years from said date; and not less than an aggregate of \$10,000,000 (*i. e.* an additional

\$1,650,000) within three years from said date. In consideration for the cash or its equivalent so supplied the Western Pacific Corporation shall, as payments are made, receive common stock of the New Company.

The Western Pacific Corporation now holds on deposit cash and securities, subject to an agreement that it will continue to hold the same or equivalent substitutes until its right to the dividends which it has already received from Utah Fuel Company shall be definitely established, amounting to \$2,925,000. If the right of the Western Pacific Corporation to retain said dividends shall not have been finally established at the time that any one or more of the instalments of cash is to be paid as above provided, payment of a portion of such instalment is to be postponed until such right is finally established. The amounts so to be postponed shall be \$1,000,000 in respect of the first instalment and \$500,000 in respect of each of the other two instalments; but in the event of any such postponement, when such right shall have been finally established, if the period during which any of said instalments is so to be supplied shall have expired, the obligation to supply the full amount of said instalment shall immediately thereupon accrue. If this Plan be consummated, the Western Pacific Corporation will, immediately upon the final establishment of its rights to said dividends, add to the deposit to be made by it with The Equitable Trust Company of New York, as hereinafter provided, the amount of said dividends (\$2,925,000) in cash and/or readily salable securities of equivalent market value.

In addition to the \$10,000,000 to be supplied by it as aforesaid, the Western Pacific Corporation will, upon the consummation of the Plan and previously to the actual exchange of securities as provided in Article IX, (1) transfer to the New Company the work equipment purchased by it at a cost of \$143,003.83 and now under lease to the New Company, (2) transfer to the New Company Rio Grande Junction Railway Company stock heretofore purchased by the Western Pacific Corporation at a cost of \$64,062.50, and (3) cancel and release or transfer the indebtedness of the New Company to it amounting to approximately \$629,000.

On account of the \$10,000,000 to be supplied by the Western Pacific Corporation as above provided it will, upon the consummation of the Plan, transfer outright to the New Company:

- | | |
|---|----------------|
| (4) The entire capital stock of The Western Realty Company, which shall represent the assets of that company substantially as the same now exist, save for ordinary operations, such assets being estimated (see Exhibit 6 attached) to have a value in excess of that company's indebtedness of at least..... | \$1,000,000.00 |
| and to be accepted as equivalent to that sum as a payment on account of said \$10,000,000. | |
| (5) 700—70-ton coal cars now under construction which it has ordered for the purpose of leasing the same to the New Company, the contract price wherefor is \$1,389,500 and the total cost of completing the same, with all specialties attached, is estimated to be.... | \$1,500,000.00 |
| (6) The coupons appertaining to the Refunding Bonds to be purchased by it as provided hereby, which necessarily will represent an investment of at least..... | \$622,000.00 |
| (7) Any and all additional shares of stock in the Rio Grande Junction Railway Company that hereafter shall be acquired by the Western Pacific Corporation. The Corporation is entitled under an existing arrangement to acquire the remaining shares of stock—not already owned by either the New Company or that Corporation—for approximately the sum of..... | \$41,500.00 |

It will at the same time deposit with The Equitable Trust Company of New York cash and/or readily salable securities having an aggregate realizable value of \$3,500,000; Less: (a) any amount by which the cost of the said coal cars, the surrendered coupons and last mentioned Rio Grande Junction Railway Company stock shall exceed \$2,163,500 (being the sum of the above items 5, 6 and 7), and (b) any amounts additional to the foregoing which the Western Pacific Corporation shall have paid out as contemplated hereby and for which it shall be entitled to credit hereunder upon its obligation to supply \$10,000,000 to the New Company. To this deposit will be added the amount of the Utah Fuel Company dividends when and as above provided. The principal of the fund so to be deposited with The Equitable Trust Company of New York will be held for the sole purpose of securing its payment to the New Company at the times and

in the amounts required by this Plan. The same shall be invested and reinvested in securities approved by The Equitable Trust Company and the Western Pacific Corporation acting in unison, and the Western Pacific Corporation shall be entitled to all income and gains, if any, derived therefrom and responsible for all losses incurred up to the time at which the same shall be paid over to the New Company.

At the time of the final payment on account of the \$10,000,000 to be supplied by the Western Pacific Corporation, an adjustment shall be had and the Western Pacific Corporation shall pay to the New Company any amount by which the aggregate of the sums paid or accounted for hereunder by it shall be less than \$10,000,000, and shall be entitled to the repayment to it from said deposited fund or by the New Company of any amount by which such aggregate shall exceed \$10,000,000.

VIII.

SECURITIES TO BE AUTHORIZED BY THE NEW COMPANY.

The following securities are to be authorized by the New Company:

UNIFYING MORTGAGE BONDS.

An issue of Unifying Mortgage Bonds, to be secured by a mortgage which will be a lien (subject only to the existing liens of underlying bonds) on the properties and railways of the New Company (including now unencumbered physical property) and after-acquired branches, extensions and property integrally connected therewith, and all property acquired by use of the proceeds of the new bonds or against which new bonds shall be issued, subject, however to the other provisions hereof with regard to said mortgage and the lien thereof. Whenever stock of the Rio Grande Junction Railway Company shall be released from the liens of the Refunding Mortgage and the Adjustment Mortgage, the same shall be pledged as part of the security under the Unifying Mortgage, or the property of the Rio Grande Junction Company, subject only to the liens existing thereon, shall be subjected to the lien of said Mortgage. The amount of bonds which may be issued under the Unifying Mortgage will be unlimited. They may be issued in separate series, maturing on the same or different dates and bearing the same or different rates of interest and any series may be made redeemable in whole or in part at times, on notice and at premiums, and may have such conversion privileges and other provisions, as may be determined by the Board of Directors at the time of issue of such series.

The Unifying Mortgage will contain a provision to the effect that in the event that (a) bonds of this issue are used to refund the bonds of The Rio Grande Western Railway Company First Consolidated Mortgage, which is thereupon satisfied, and at the time of such satisfaction the stock of Utah Fuel Company shall be subject to that mortgage, or (b) Unifying Bonds be issued to supply cash to redeem such Utah Fuel Company stock from the lien of The Rio Grande Western Railway Company First Consolidated Mortgage or to acquire The Rio Grande Western Railway Company First Consolidated Mortgage Bonds used to effect such redemption, the Utah Fuel Company stock shall forthwith be pledged under the Unifying Mortgage but in either event shall be subject to release from the lien of that Mortgage (a) on the payment to the Trustee thereunder of \$6,000,000 in cash, or (b) on the surrender and cancellation of bonds secured by the Unifying Mortgage of the face amount of \$6,000,000 theretofore actually issued and outstanding, or (c) on the pledge under or subjection to the Unifying Mortgage of other securities or property (not otherwise subject to encumbrance) having a value, established in such manner as may be provided in the Unifying Mortgage, of at least \$6,000,000; such substituted property in turn to be redeemable in any manner in which the Utah Fuel Company stock might have been redeemed from the lien of such mortgage. Unless and until Unifying Mortgage Bonds or the proceeds of such bonds shall be used for the purpose of refunding The Rio Grande Western Railway Company First Consolidated Mortgage Bonds, no right to or lien or charge upon such stock shall be deemed to exist or to be created in favor of the Trustee or the holders of Unifying Mortgage Bonds or of the Trustee under the junior Sinking Fund Mortgage next mentioned or the holders of bonds to be issued thereunder.

Unifying Mortgage Bonds will be reserved for issue as follows:

To refund Underlying Bonds and Rio Grande Junction Railway Company First Mortgage Bonds to a principal amount equal to the principal amount of the bonds refunded (including redemption of Utah Fuel Company stock)	\$81,112,000
For betterments, improvements, branches and extensions, including the acquisition of bonds and stocks of other railway lines or interests in other railway lines, and the extinguishment of liens thereon issuable to a principal amount equal to entire cost of betterments, etc.....	20,000,000

The remainder to be issuable for the same purposes, but to a principal amount equal to 85% of cost of betterments, etc.

No Bonds are to be issued under the Unifying Mortgage except for refunding purposes or for redemption of Utah Fuel Company stock, until all of the cash to be supplied by the Western Pacific Corporation under Article VII hereof has been paid in.

SINKING FUND BONDS.

An issue of Sinking Fund Bonds to be limited to the total authorized amount of \$20,557,000* maturing on August 1, 1955, (*i. e.* the date of maturity of the present Refunding Bonds) and bearing interest payable semi-annually at the rate of five per cent. (5%) per annum, from February 1, 1922; or from August 1, 1922, in case the coupon on the Refunding Bonds due on that date shall be purchased as hereinafter provided. They will be secured by a junior mortgage subject and subordinate to the Unifying Mortgage and co-extensive therewith as to property and rights covered.

The Sinking Fund Mortgage will contain a provision to the effect that, in the event that a charge or lien upon the stock of the Utah Fuel Company shall arise in favor of the Trustee under the Unifying Mortgage (by reason of the provisions of that mortgage and the use of bonds issued thereunder to refund The Rio Grande Western Railway Company First Consolidated Mortgage Bonds or to obtain the release of said stock from the said First Consolidated Mortgage), then such Utah Fuel Company stock, while subject to the lien of such Unifying Mortgage, shall also be subject to the Sinking Fund Mortgage, but that the stock may be redeemed from the lien of the Sinking Fund Mortgage by compliance with the provisions for release contained in the Unifying Mortgage without any payment to or action on the part of the Trustee under the Sinking Fund Mortgage.

The Sinking Fund Mortgage will contain further provision to the effect: (a) that said Sinking Fund Bonds shall be redeemable in whole or in part at any time prior to a date six years from and after the date of said mortgage, at their face amount and accrued interest and thereafter at 105 and accrued interest; (b) for the payment by the New Company of one per cent. (1%) each year on the aggregate face amount of the maximum number of Sinking Fund Bonds at any time issued, as a sinking fund, the same to be payable only out of the earnings of the year but next after payment of interest upon the Sinking Fund Bonds and applied to the purchase, either at public or private sale or by call at a price not exceeding their then callable price, of Bonds of this issue, all Bonds purchased or called for the Sinking Fund to be kept alive and the interest paid thereon from time to time to be added to the Sinking Fund and applied in the same manner, which sinking fund payments shall become cumulative at the expiration of three years from the date of the Sinking Fund Mortgage; (c) that in the event that the Utah Fuel Company stock shall be redeemed by the use of moneys derived from the sale of Preferred Stock of the New Company, with the result that the benefit arising therefrom shall accrue to anyone other than the New Company or a successor or subsidiary thereof, the New Company shall pay annually into the Sinking Fund out of its net earnings, over and above amounts thereof required for payment of dividends upon its Preferred Stock, an additional amount of \$240,000, the obligation to make such payment to be cumulative; and (d) that the New Company shall not effect the redemption of the stock of the Utah Fuel Company from the lien of The Rio Grande Western Railway Company First Consolidated Mortgage, with the result that the benefit arising from such release shall accrue to anyone other than the New Company, except in a manner and with the effect hereinabove in Article VIII of this Plan provided, save by means of moneys which would otherwise be distributable consistently with the provisions of this Plan as dividends upon common stock of the New Company or by use of moneys to be supplied by the Western Pacific Corporation (or a suc-

cessor in interest or subsidiary thereof) in addition to the moneys to be supplied as hereinabove provided, which additional moneys so supplied shall be capitalized, if at all, in common stock of the New Company.

The Sinking Fund Bonds will be applied as follows:

In exchange for Refunding Bonds, (maximum)	\$15,557,000
Maximum permitted to be used in whole or in part in exchange for Adjustment Bonds.....	5,000,000*
Total	\$20,557,000*

But Sinking Fund Bonds may be issued only to an amount not exceeding fifty per cent. (50%) of the face amount of the Refunding Bonds and Adjustment Bonds so exchanged and interest upon Adjustment Bonds accrued and unpaid.

* These amounts may be increased by any amount of Sinking Fund Bonds allowed in satisfaction of accrued and unpaid interest upon Adjustment Bonds.

PREFERRED STOCK.

An authorized issue of not exceeding \$50,000,000 divided into 500,000 shares of the par value of \$100 each. The holders of Preferred Stock will be entitled to receive out of the surplus net profits of the corporation, when and as declared by the Board of Directors, dividends at the rate of but not exceeding seven per cent. (7%) per annum, payable quarterly, in preference to any payment of dividends on the Common Stock, which dividends shall be cumulative so that if dividends at said rate shall not have been paid upon the preferred stock for any dividend period, the deficiency shall be declared and paid or set aside in cash for payment before any dividends shall be declared or paid on the Common Stock. No dividend shall be declared or paid on the Common Stock for any year, unless all dividends upon the Preferred Stock accrued prior to such year and the full dividend thereon for such year shall have been paid or declared and set aside for payment in such year. Cumulative dividends upon the Preferred Stock shall begin to accrue from February 1, 1922; or from August 1, 1922, in case the coupon on the Refunding Bonds due on the last mentioned date shall be purchased as hereinafter provided.

In the event of the dissolution, winding up or liquidation otherwise of the corporation, the holders of the Preferred Stock shall be entitled to receive, out of the assets of the corporation, the par value of their shares and also an amount equivalent to all dividends thereon accrued and unpaid and an additional amount equal to a dividend at the rate of seven per cent. (7%) per annum from the last dividend date to the date as of which distribution shall be made, before any distribution shall be made to the holders of the Common Stock, but shall not be entitled as the holders of such Preferred Stock to share in any assets of the corporation thereupon remaining.

The Preferred Stock is to be redeemable at the option of the corporation, in whole or in part, upon at least sixty (60) days' notice of an intention to redeem the same, at any time prior to January 1, 1926, at par and accrued and unpaid dividends and at any time thereafter at 110% of its par value, and in any case with an additional amount equal to a dividend at the rate of seven per cent. (7%) per annum from the last dividend date to the date of such redemption.

The Preferred Stock is not to be entitled to any voting rights except as required by statute and as hereinafter provided:

The holders of Preferred Stock shall at all times have the right to vote on a parity with holders of the Common Stock (each share of either class being entitled to one vote) upon (1) any proposition to sell, pledge or in any manner dispose of any part of the stock (except directors' shares) of the Rio Grande Junction Railway Company owned by the corporation, and (2) on any proposition to lease, sell or create a mortgage (not including, however, the mortgages contemplated by this Plan) upon the railway system of the New Company or any essential part thereof, or (3) upon any proposition to increase the authorized amount of Preferred Stock. In case the New Company shall on any quarterly dividend date fail to pay a quarterly instalment of dividend on the Preferred Stock and such instalment shall remain unpaid for a period of one year thereafter, the holders of Preferred Stock shall have the right at all stockholders' meetings to vote on a parity with the holders of the Common Stock, which right shall continue until, but only until, such time as all accrued dividends on the Preferred Stock in default and the two next subsequent quarterly dividends shall have been paid or set aside in cash for payment. Provision will be made to the effect that during any period when the holders of the Preferred Stock shall have the right to vote upon the election of directors, such elections shall be by a system of cumulative voting, similar so far as possible to the system of cumulative voting defined in the Corporation Laws of the State of Delaware.

The Preferred Stock is to be applied as follows: .

To be issued in exchange for Refunding Bonds (maximum).....	\$15,557,000
Maximum permitted to be used in exchange for principal of Adjustment Bonds.....	10,000,000
(Amount will be diminished by principal amount of Sinking Fund Bonds issued in exchange for Adjustment Bonds.)	
To be reserved for adjustment of interest upon Adjustment Bonds and for future corporate purposes (minimum)	24,443,000
	<u>\$50,000,000</u>

COMMON STOCK.

An authorized issue of not exceeding 400,000 shares, with or without par value, which may be increased only in consideration of money or property, paid or transferred, to the New Company in excess of money and property already paid and transferred and to be paid or transferred as required by this Plan.

In the event that it shall prove impracticable legally or inconsistent with the purposes of this Plan to issue stock of the New Company without par value, the Western Pacific Corporation shall have the right, subject to the limitation of the number of shares above provided, to cause Common Stock having a par value of \$100 per share or any less par value to be issued in place of the Common Stock without par value issuable as provided for herein, and in that event each share of such Common Stock, although of par value less than \$100, shall have the same vote (whenever shares of Preferred Stock shall be entitled to vote) as any share of Preferred Stock, although the latter be of greater par value than such shares of Common Stock. Such Common Stock may, subject to the limitation aforesaid, be issued to such aggregate amount as the Western Pacific Corporation may determine, with the approval of such governmental bodies, if any, as may have jurisdiction in the premises.

The Common Stock is to be applied as follows:

To be issued to the Western Pacific Corporation in consideration of the acquisition by the New Company of the properties of the existing The Denver and Rio Grande Western Railroad Company (or if said existing Company be employed as the New Company, the shares thereof already issued to the Western Pacific Corporation will be retained by it).....	300,000	Shares
To be issued to the Western Pacific Corporation for cash to be supplied by it as provided in Article VII hereof	100,000	Shares
Total	<u>400,000</u>	Shares

IX.

TREATMENT OF REFUNDING BONDS AND ADJUSTMENT BONDS.

Holders of such Certificates of Deposit for Refunding Bonds as shall have been issued under or become bound by this Plan, who shall have complied with the conditions of the Plan and Agreement, will be entitled on the completion of the reorganization and surrender of their Certificates of Deposit in negotiable form together with such certificates, if any, as may be required under Federal or State Income Tax Laws, to receive

For each \$1,000 principal amount of Refunding Bonds
 \$500 principal amount of Five Per Cent. Sinking Fund Bonds
 \$500 par value of Seven Per Cent. Cumulative Preferred Stock.

Upon such exchange the Western Pacific Corporation will pay in cash the amount of any coupons on the Sinking Fund Bonds exchanged which may have become due on or prior to that date, and shall be entitled to credit for any amount so paid on account of its obligation to supply cash to the New Company as provided in Article VII hereof.

There may be made to holders of Adjustment Bonds (including the Western Pacific Corporation) (a) a like offer of the privilege of exchanging their bonds in the same event for 50% thereof (including principal and interest accrued and unpaid) in Sinking Fund Bonds and 50% (including principal and interest accrued and unpaid) thereof in Preferred Stock, or (b) an offer of Preferred Stock only, or (c) an offer of such stock together with less than 50% of Sinking Fund Bonds, as the Western

Pacific Corporation may elect; provided, however, that the holders of Adjustment Bonds shall not receive securities of a par and/or face value in excess of the principal amount of the Adjustment Bonds so exchanged and of the interest thereon accrued and unpaid.

The Western Pacific Corporation has issued its Ten-Year 4% Promissory Notes in exchange for Adjustment Bonds, and upon or simultaneously with the exchange of the Refunding Bonds under this Plan will convert such Adjustment Bonds into Sinking Fund Bonds and/or Preferred Stock of the New Company as may be permitted to other holders of Adjustment Bonds.

X.

UNDERWRITING SYNDICATE.

It is expected that the money required to pay distributive shares of non-assenting Refunding and Adjustment Bonds will be furnished by an Underwriting Syndicate, which may receive therefor the amounts of bonds and preferred stock of the New Company to which the holders of such non-assenting Bonds would have been entitled under the Plan, and such Syndicate compensation, payable by the New Company, as may be agreed upon by the Western Pacific Corporation and the Committee. Members of the Committee, or the firms to which they respectively belong, as well as the Western Pacific Corporation, may participate in any such syndicate, and in any compensation, commission, profit or other benefit accruing to such syndicate or in connection with the formation or management thereof.

XI.

METHODS TO BE PURSUED IN REORGANIZATION.

The Western Pacific Corporation and the Committee will cooperate to carry this Plan into execution, but the instrumentalities and methods to be employed to that end and to provide for the issuance of the new securities called for thereby are to be determined by the Western Pacific Corporation, provided that the same shall be consistent in substance with the accomplishment of the results contemplated by this Plan.

The validity and sufficiency of the securities of the New Company to be received by the holders of the Refunding Bonds, and the legality of the proceedings authorizing the same, as well as the provisions relating to the Preferred Stock in the Certificate or Amended Certificate of Incorporation of the New Company, the provisions of the Unifying Bonds, the Sinking Fund Bonds and the mortgages securing the same, and the form of all thereof, shall be subject to the approval of the counsel of the Committee.

The Committee will, upon the Plan's being declared operative, take, and permit the Western Pacific Corporation to take, all such action with respect to the Refunding Bonds subjected to the plan as may be reasonably necessary or proper in order to carry out the Plan; and for such purpose the Committee will, take all such action, as a holder of Refunding Bonds or otherwise, as may be reasonably necessary and as may be authorized or required by the provisions of the Refunding Mortgage in order to initiate and direct such action by the Trustee under said Mortgage as the case may require with respect to the declaration of the maturity of the Refunding Bonds or the waiver of such declaration, the initiation and prosecution of foreclosure proceedings and proceedings incidental or collateral thereto, the purchase of mortgaged property, payment and collection of the purchase price, entry and enforcement of a deficiency judgment and any other action which the Trustee under the Mortgage may be authorized to take or cause to be taken.

In the event that the property subject to the lien of the Refunding Mortgage shall be sold in any suit or judicial proceeding and a right shall exist to apply in payment of the purchase price thereof Refunding Bonds and/or coupons appurtenant thereto to the extent of the distributive shares of the purchase price to which the holders of such bonds and/or coupons may be entitled, respectively, or any part thereof, the Committee shall make available for use by any purchaser or purchasers of said property acting under this Plan in the interest or for the benefit of the New Company any and all Refunding Bonds and coupons which are bound by the Plan and under the control of the Committee, and in that event the provisions hereof with respect to the exchange of bonds and stock therefor shall apply to said bonds and coupons to the same extent as if no part of such purchase price had been credited thereon.

If and as soon as the ultimate success of the Plan in the opinion of counsel for the Committee shall be assured, the Committee shall take or cause to be taken such measures within its powers, as may be appropriate and requested by the Western Pacific Corporation, to procure the recognition by Guaranty Trust Company of New York as Trustee under the First Consolidated Mortgage of The Rio Grande Western Railway Company, and generally, of the Western Pacific Corporation as the owner of the stock of the Utah Fuel Company subject only to the pledge thereof under said First Consolidated Mortgage, or, upon the conditions expressed in this Plan, to the lien of the mortgages to be created by the New Company and as entitled to the dividends on said stock already received by it mentioned in Article VII hereof.

Pending the carrying out of this Plan, the Western Pacific Corporation shall be under no obligation to advance any moneys whatever to the New Company. In the event, however, that it shall advance moneys pending the complete execution of the Plan, the same shall constitute an indebtedness in open account, or the New Company, if legally authorized, may execute its note or notes or other obligations therefor, securing the same as may be agreed between it and the Western Pacific Corporation. Upon the complete execution of the Plan, any notes or other obligations so received by the Western Pacific Corporation shall be cancelled and the security therefor returned.

The Western Pacific Corporation shall be entitled to credit against its obligation to supply \$10,000,000 under Article VII hereof for any advances which it may so make to the New Company or to any receiver of the railway properties or for the payment of interest or the purchase of coupons upon bonds of the Old Denver Company other than Adjustment bonds or the payment of expenses of reorganization (including expenses already incurred but not paid, not exceeding in the aggregate \$100,000, on account of the transfer of the railway properties to The Denver and Rio Grande Western Railroad Company) or otherwise in order to carry through the reorganization; but in the event that it shall become entitled to such credit on account of advances for the payment of interest or the purchase of coupons upon bonds of the Old Denver Company, no dividend upon the common stock of the New Company held by the Western Pacific Corporation shall be declared or paid until there shall have been realized from income and capitalized in common stock of the New Company an amount equal to the last-mentioned credit. If desirable in the interest of this Plan that pending its consummation money should be invested in stock representing the ownership of or bonds secured by lien upon property to be owned by the New Company or in any additions, extensions, equipment, motive power or other facilities or property requisite for the New Company, and if, the Western Pacific Corporation shall, with the approval of the Committee, have supplied money for any such purpose, the Western Pacific Corporation shall be entitled to a like credit for the amounts so supplied upon the transfer to the New Company of the bonds or property so acquired or the avails thereof if previously realized with the approval of the Committee.

The Committee shall not be obliged to take any action hereunder except to the extent that its counsel may advise it that it may do so properly and consistently with its trust, nor shall it be obliged to take any action hereunder which may tend to involve it in expense or liability unless supplied with cash to meet the same or indemnified therefor to its satisfaction. Neither the Committee nor the Western Pacific Corporation shall be liable for anything which it may in good faith do or omit to do in connection with or incidental to the carrying out of this Plan, nor shall any member of the Committee nor any officer or director of the Western Pacific Corporation, nor any one charged with any function with respect to the carrying out of this Plan be subject to any personal liability on account of anything whatsoever done or omitted by him in connection with or incidental thereto.

XII.

PROVISION AS TO COSTS AND EXPENSES OF COMMITTEE.

In the event that the Plan is approved and adopted by the Committee and the Committee shall take such action in accordance with the Deposit Agreement under which it is constituted as may be required by such Agreement to make this Plan effective and binding on holders of Certificates of Deposit under such Agreement, then and in such case if holders of Certificates of Deposit shall not assent thereto to an amount sufficient to make the Plan binding and effective as provided in said Deposit Agreement or in case, having become binding and effective upon holders of Certificates of Deposit, the Plan shall

not be consummated, the Western Pacific Corporation will nevertheless pay all of the reasonable expenses and disbursements heretofore incurred and that may be hereafter incurred up to the time that it shall have been determined that the Plan will not become binding and effective as provided in said Deposit Agreement or will not be consummated, whether or not the expenses heretofore incurred by the Committee shall have been incurred in connection with this Plan (except such part thereof as may be assessed by the Committee against and paid by non-assenting holders of Certificates of Deposit), and also, if the Committee shall thereupon return the deposited bonds to the depositors, the reasonable expenses and disbursements of the Committee in connection with such return so that the said bonds may be returned free of charge to the depositors. In the event that the Plan shall be consummated, the Western Pacific Corporation will pay the reasonable expenses and disbursements of the Committee as above specified and also reasonable compensation of the several members (past, present and future) of the Committee.

In the latter event, the Western Pacific Corporation shall be entitled to credit for any amount so paid on account of its obligation to supply cash to the New Company as provided in Article VII hereof.

XIII.

PURCHASE OF DEFAULTED COUPONS.

In case default shall be made in the payment of the coupons upon the Refunding Bonds due on February 1, 1922, the Western Pacific Corporation will on that date purchase or cause to be purchased such February coupon belonging to each Refunding Bond which shall then have become bound by or shall have been deposited under this Plan, and from time to time thereafter as further Refunding Bonds shall become bound by or be deposited under this Plan, will purchase or cause to be purchased such February coupons belonging thereto.

In case the Plan is declared or shall become and shall be operative and default shall occur in the payment of the coupons upon the Refunding Bonds due August 1, 1922, the Western Pacific Corporation will, on that date, purchase or cause to be purchased, such August coupon belonging to each deposited Refunding Bond, if requested so to do by the Committee.

The moneys so expended shall be deemed a cost incurred for the purposes of the Plan and the Western Pacific Corporation shall be entitled to credit therefor on account of the first installment of cash to be supplied by it to the New Company as provided in Article VII hereof.

XIV.

PROVISION FOR DECLARING PLAN OPERATIVE.

The Plan shall not become operative, unless the Western Pacific Corporation and the Committee shall otherwise agree, unless the holders of at least fifty per cent. (50%) of the outstanding Refunding Bonds, not including bonds on deposit under the Adjustment Mortgage nor bonds held in the sinking fund under the Refunding Mortgage nor bonds held in the treasury of the New Company, shall become bound by the Plan on or before May 28, 1922, or a later date fixed by agreement between the Committee and the Western Pacific Corporation; and if the holders of more than fifty per cent. (50%) and less than eighty per cent. (80%) of the Refunding Bonds as above specified shall become bound by the Plan prior to that date (or a later date fixed by agreement as aforesaid), the Plan may be declared operative by the Western Pacific Corporation by written notice to that effect given to the Committee, and in the same event, upon the giving of such notice, the Plan shall thereupon become operative; but if the holders of eighty per cent. (80%) of the Refunding Bonds as above specified shall become bound by the Plan prior to that date (or a later date fixed by agreement as aforesaid), the Plan may be declared operative by either the Western Pacific Corporation or the Committee by written notice to that effect given to the other party, and in the same event, upon the giving of such notice to either party, the Plan shall thereupon become operative.

If the Plan in its original form, or as modified, shall not become or be declared operative prior to the 28th day of May, 1922 (or any later date which may be fixed by agreement between the Western

Pacific Corporation and the Committee), or if, having been declared operative, it shall be abandoned as permitted hereby, neither the Committee nor the Western Pacific Corporation thereafter shall be under any further obligation (except as herein otherwise expressly provided) by reason of having become a party thereto, and the fact of their having become parties hereto shall be without prejudice to their respective rights in the premises, nor shall anything herein contained operate or be construed as an admission by either of them.

In the event that, although the Plan shall have become operative, (a) it shall, nevertheless, be established at any time that it will be impracticable to carry out the same so as to obtain in substantial effect the results contemplated hereby, or (b) on December 31, 1922, the carrying out of the Plan in the sense aforesaid shall not be practically assured (time reasonably sufficient therefor being allowed), the Western Pacific Corporation and the Committee acting together, (or if on July 15, 1923, the Plan shall not have been fully carried out in fact, then either the Western Pacific Corporation or the Committee, acting alone) shall have the right to declare the Plan abandoned.

The carrying out of the Plan is subject to its approval by the Interstate Commerce Commission and by any other Governmental bodies, the approval whereof may be required by law.

Whenever reference is made in Plan and Agreement to the "complete execution" or the "carrying out" or the "consummation" of the Plan, or any equivalent or similar expression is employed, such expression contemplates, among other things, either (a) the actual extinguishment of the Refunding and Adjustment Bonds and the vesting of the property of the existing company, The Denver and Rio Grande Western Railroad Company, in the New Company (or its retention by The Denver and Rio Grande Western Company, as the case may be), free from the lien of the mortgages securing said Bonds, or (b) the substantial accomplishment of that result by some other method to be agreed upon by the Western Pacific Corporation and the Committee.

XV.

MODIFICATIONS OF PLAN.

This Plan may from time to time be modified in such particulars as may be agreed upon by the Western Pacific Corporation and the Committee. In the event of any such modification a copy of the agreement so made, setting forth such modification, or of the Plan as so modified, shall thereupon be filed with the Bankers Trust Company as Depositary. In case of any modification of the Plan, which in the judgment of the Committee shall adversely affect the holders of Certificates of Deposit to a material degree, notice of the fact of such filing shall be given and the assent thereto of holders of Certificates of Deposit shall be obtained in the manner and with the effect provided in the Agreement hereto annexed.

XVI.

STATEMENTS CONTAINED IN PLAN.

The attached Exhibits 1 to 4, inclusive, have been furnished to the Committee by the Western Pacific Corporation, which caused the same to be compiled from statements rendered by the Receivers of the Old Denver Company and by the New Company.

The statements and figures contained in the Plan and the Exhibits annexed thereto have been compiled from sources believed to be trustworthy. Certain of these statements and figures are necessarily only approximate. No statement, estimate, explanation or suggestion contained in the Plan and Agreement or the said Exhibits or in any circular or letter issued or which hereafter may be issued by the Western Pacific Corporation or by the Committee or by the Depositary or any Sub-depositary, or by anyone representing or purporting to represent any of them, is or is to be deemed to be a warranty or representation or a condition of any deposit under or assent to the Plan, and no error, defect or irregularity shall release any depositor under the Plan and Agreement or affect or release any assent thereto or affect any action taken pursuant thereto, except by written consent of the Western Pacific Corporation and the Committee.

EXHIBITS

Exhibit 1.

**CAPITALIZATION AND FIXED CHARGES.
COMPARISON.**

OLD DENVER COMPANY.			NEW COMPANY UPON COMPLETION OF PLAN.		
Outstanding.		Fixed Charge.	Outstanding.		Fixed Charge.
\$79,112,000	Underlying Bonds as per page 4 hereof	\$3,279,740	\$79,112,000	Underlying Bonds as per page 4 hereof	\$3,279,740
2,000,000	R. G. Junction First Mortgage Bonds (See page 4)	100,000	2,000,000	R. G. Junction First Mortgage Bonds (See page 4)	100,000
31,114,000	Refunding Bonds.....	1,555,700	.....	Unifying Mortgage Bonds .....	.....
10,000,000	Adjustment Bonds.....	700,000	20,557,000	Sinking Fund Bonds.....	1,027,850
				Sinking Fund Annual Installment	205,570
<hr/>			<hr/>		
\$122,226,000	Total in hands of public..	\$5,635,440			
2,830,000	Refunding Bonds in Sinking Fund.....	141,500			
	Refunding Mortgage Sinking Fund Annual Installment	120,000			
<hr/>			<hr/>		
\$125,056,000	Total Bonded Debt.....	\$5,896,940	\$101,669,000	Total Bonded Debt.....	\$4,613,160
49,775,670	Preferred Stock.....	.....	\$20,557,000	Preferred Stock.....	.....
38,000,000	Common Stock.....	.....		Common Stock (400,000 shares without par value)	.....
<hr/>			<hr/>		
\$212,831,670	Total Capitalization.....	\$5,896,940			

REDUCTION IN BONDED DEBT.

Old Denver Company Bonded Debt.....	\$125,056,000
New Company Bonded Debt.....	101,669,000
<hr/>	
Total Reduction in Bonded Debt.....	\$23,387,000

REDUCTION IN FIXED CHARGES.

Old Denver Company Fixed Charges.....	\$5,896,940
New Company Fixed Charges.....	4,613,160
<hr/>	
Total Reduction in Fixed Charges.....	\$1,283,780

NOTE 1. The foregoing tabulation sets forth the capitalization of the Old Denver Company as of November 20, 1920, being the date of the sale in the receivership proceedings, except that the amount of the Refunding Bonds outstanding and in the Sinking Fund has been inserted as of the date hereof. The interest on the Adjustment Bonds has been included as a fixed charge, because, although payable annually out of income only, it is cumulative and payable in full upon maturity or prior declaration of the Bonds. The capitalization of the New Company is made up as of the date of the consummation of the Plan, upon the theory that all of the Refunding Bonds are exchanged as contemplated by the Plan and that all the Adjustment Bonds are also exchanged upon the like basis, but without making allowance for additional Sinking Fund Bonds and Preferred Stock which may be issued in adjustment of accrued and unpaid interest upon the Adjustment Bonds.

NOTE 2. In addition to the foregoing, the Old Denver Company was liable on the judgment recovered by The Equitable Trust Company of New York, amounting at the date of the sale to about \$35,224,493. For this judgment the New Company is not liable. But taking this judgment into consideration as a capital charge of the Old Denver Company, the amount of the indebtedness of a capital nature will on the completion of the reorganization have been reduced.

By the amount above stated.....	\$23,387,000
By the amount of said judgment.....	35,224,493
<hr/>	
Total	\$58,611,493

Exhibit 2.

THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY.

CONDENSED BALANCE SHEET

As of 12:01 A. M., August 1, 1921.

The assets and liabilities are stated and entries made, as follows, by adoption of results of figures set up on books of The Denver and Rio Grande Railroad Company and the Receiver. They are in all respects subject to revision with approval of competent authority and are not to be deemed representation of value or admission of liability by this Company.

ASSET SIDE

INVESTMENTS:

701	Investment in Road and Equipment.....			\$181,523,042.31
702	Improvements on Leased Railway Property.....			179,722.04
703	Sinking Funds:			
	Sinking Fund—Refunding Mortgage:			
	Total Book Assets at Date.....	\$2,455,639.25		
	Carriers Own Issues at Date.....	2,455,000.00		
	Other Assets at Date.....		639.25	
704	Deposits in Lieu of Mortgaged Property sold:			
	Bankers Trust Company, Trustee.....		3,465.89	
705	Miscellaneous Physical Property.....			274,774.26
706	Investment in Affiliated Companies:			
	Pledged:			
	(a) Stocks:			
	Rio Grande Junction Ry. Co.....	\$591,696.18		
	Rio Grande & Southwestern R. R. Co.....	217,465.20	809,161.38	
	Unpledged:			
	(a) Stocks:			
	Rio Grande Junction Ry. Co.....	\$700.00		
	Pueblo Union Depot & R. R. Co.....	8,120.00		
	Denver Union Terminal Ry. Co.....	5,000.00		
	Salt Lake City Union Depot & R. R. Co.....	100,100.00	113,920.00	923,081.38
707	Other Investments:			
	Unpledged			9,625.78

CURRENT ASSETS:

708	Cash			
	R. F. Watkins, Treasurer.....		\$885,948.61	
711	Special Deposits:			
	Special Deposits	22,265.93		
	Cash Deposited to Pay Coupons.....	353,745.00		
	Adj. Mtge. Deposited Funds and Int.....	21,850.25		
	Miscellaneous Special Deposits.....	215.14		
	First Con. Mtge. Bonds with Blair & Co., Trustee.....	200,000.00		
	Total	598,076.32		
	Carriers Own Issues at Date.....	200,000.00	398,076.32	1,284,024.93
713	Traffic & Car Services and (714) Agents and Conductors Net Balances—Receivable.....			1,181,064.38
715	Miscellaneous Accounts and (718) Rents Receivable.....			1,570,352.53
716	Material and Supplies and (719) Other Current Assets.....			3,978,503.34

DEFERRED ASSETS:

720	Working Fund Advances and (722) Other Deferred Assets			80,737.11
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UNADJUSTED DEBITS:

723	Rents and Insurance Premiums Paid in Advance and (727) Other Unadjusted Debits.....			193,639.23
	TOTAL			\$191,202,672.43

Exhibit 2 (Con.).

LIABILITY SIDE

STOCK:

751 Capital Stock:

(a) Common Stock:

Not Held by Company (300,000) Shares.....

\$58,011,411.04

This book value of capital stock is obtained by the adoption (as explained in the preliminary note immediately preceding this statement) of the difference between Book Assets and Book Liabilities (other than capital stock) and is not a representation or admission on the part of this Company.

LONG TERM DEBT:

755 Funded Debt Unmatured:

The debt represented by and set forth in this account 755, represents mortgage bonds charged upon the property by predecessors (in ownership) of this company, and subject to which this company acquired the property, but such debt has not been assumed as any part of the debt of this company, except as the property so acquired is charged therewith.

(b) Mortgage Bonds:

Held by Company:

D&RGRRCo. First Con. Mtge. 4% Bonds..... \$1,445,000.00

D&RGRRCo. First & Ref. Mtge. 5% Bonds:

In Treasury \$1,112,000.00

New York Tr. Co., Trustee..... 7,005,000.00

Skg. Fund Ref. Mtge..... 2,455,000.00 \$10,572,000.00

RGWRy. Co. First Trust Mtge. 4% Bonds..... 10,000.00

RGWRy. Co. First Con. Mtge. 4% Bonds..... 1,395,000.00

Utah Central R. R. Co. First Mtge. 4% Bonds..... 650,000.00

\$14,072,000.00

Not Held by Company:

D&RGRRCo. First Con. Mtge. 4% Bonds..... \$34,125,000.00

D&RGRRCo. First Con. Mtge. 4½% Bonds..... 6,382,000.00

D&RGRRCo. Improvement Mtge. 5% Bonds..... 8,335,000.00

D&RGRRCo. First & Ref. Mtge. 5% Bonds..... 31,489,000.00

RGWRy. Co. First Trust Mtge. 4% Bonds..... 15,190,000.00

RGWRy. Co. First Con. Mtge. 4% Bonds..... 15,080,000.00

(d) Income Bonds: \$110,601,000.00 \$124,673,000.00

Not Held by Company:

D&RGRRCo. Adj. Mtge. 7% Bonds..... \$9,999,000.00

D&RGRRCo. Adj. Mtge. 7% Bond Scrip..... 1,000.00 10,000,000.00

Book Liability at Date..... \$134,673,000.00

Held by or for Carrier at Date..... 14,072,000.00 120,601,000.00

CURRENT LIABILITIES:

759 Traffic and Car Service Balances Payable..... \$325,970.02

760 Audited Accounts and Wages Payable..... 2,590,688.02

761 Miscellaneous Accounts Payable..... 195,604.00

762 Interest Matured Unpaid..... 1,195,845.00

766 Unmatured Interest Accrued..... 692,798.35

767 Unmatured Rents Accrued..... 316,204.59

768 Other Current Liabilities..... 48,418.99 5,365,528.97

DEFERRED LIABILITIES:

770 Deposits for Construction of Tracks..... 83,564.77

UNADJUSTED CREDITS:

771 Tax Liability—Accrued Taxes..... \$1,024,922.50

776 Accrued Depreciation—Equipment 5,768,379.38

778 Other Unadjusted Credits..... 347,865.77 7,141,167.65

Total \$191,202,672.43

Exhibit 3.

THE DENVER AND RIO GRANDE RAILROAD COMPANY.

Income 1901 to 1920, inclusive.

Applicable to interest on Funded Debt.

In the following balances, (in order to make the figures comparable with those arising from operations under existing conditions), dividends—except dividend on Rio Grande Junction Railway Company stock—interest on securities, and interest on bank balances have been excluded, and taxes have been included.

1901 Fiscal Year, ended June 30th.....	\$5,529,074.90
1902.....	5,983,801.48
1903.....	5,883,873.04
1904.....	5,582,769.50
1905.....	5,968,684.74
1906.....	6,694,154.37
1907.....	6,966,586.25
1908.....	6,336,525.79
1909.....	5,437,017.24
1910.....	6,626,930.06
1911.....	6,340,526.61
1912.....	5,213,179.54
1913.....	6,370,761.88
1914.....	6,046,218.58
1915.....	6,369,084.21
1916.....	8,818,575.34
1916 Calendar Year, ended Dec. 31st.....	9,262,536.27
1917.....	7,028,297.96
*1918.....	6,226,565.27
*1919.....	5,683,478.93
*1920.....	7,081,951.85

* Figures for 1918-1919 and two months of 1920 are consolidated Corporate and Federal operations. Include Government earnings net; do not include payments in excess thereof under Government Control or Guaranty.

Exhibit 4.

THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY.

INCOME ELEVEN MONTHS 1921.

	6 Months to June 30, 1921.	July to Nov. Inclusive, 1921.	11 Months to Nov. 30, 1921.
Operating Revenue.....	\$14,214,838.79	\$15,998,482.67	\$30,213,321.46
Operating Expenses.....	12,667,944.49	13,139,699.88	25,807,644.37
Net Revenue.....	1,546,894.30	2,858,782.79	4,405,677.09
Tax Accruals.....	881,622.13	785,346.06	1,666,968.19
Uncollectible Revenue.....	5,157.29	1,823.38	6,980.67
Operating Income.....	660,114.88	2,071,613.35	2,731,728.23
Non Operating Income.....	1,547,830.43	834,294.72	2,382,125.15
Total Income.....	2,207,945.31	2,905,908.07	5,113,853.38
Income Charges.....	1,011,927.10	1,067,246.45	2,079,173.55
Balance applicable to Interest on Funded Debt.....	1,196,018.21	1,838,661.62	3,034,679.83
Interest on Underlying Bonds.....	1,639,870.00	1,366,558.33	3,006,428.33
	<i>443,851.79</i>	<i>472,103.29</i>	<i>28,251.50</i>
Interest on 1st & Refunding Bonds.....	788,882.07	650,267.38	1,439,149.45
	<i>1,232,733.86</i>	<i>178,164.09</i>	<i>1,410,897.95</i>
Sinking Fund 1st & Refunding Bonds.....	117,294.14	158,247.08	275,541.22
	<i>1,350,028.00</i>	<i>336,411.17</i>	<i>1,686,439.17</i>
Interest on 7% Adjustment Bonds.....	350,000.00	291,666.67	641,666.67
Deficit	<i>1,700,028.00</i>	<i>628,077.84</i>	<i>2,328,105.84</i>

July Operations—By Receiver

August to November Operations—By The Denver and Rio Grande Western Railroad Company

Italics indicate deficits.

Exhibit 5.

At New York, October 27, 1921.

TO THE BOARD OF DIRECTORS OF
THE WESTERN PACIFIC RAILROAD CORPORATION: ---

SIRS:

As requested, I have familiarized myself with various reports and estimates which have been made by engineers and by my predecessors in the management concerning expenditures necessary for rehabilitation and improvement of the Denver & Rio Grande system. Both before and since assuming the office of President of The Denver & Rio Grande Western Railroad Company, I have given a great deal of attention to the examination of the physical properties and facilities of that Company and to the problem of its necessary betterment. My conclusions, very briefly summarized, are as follows:

It will be necessary to expend during the next five years upon road, structures and equipment, including a relatively small expenditure for extensions, not less than the sum of \$20,670,237.00. It would be desirable, in my judgment, to expend more than that amount, but in naming that figure I confine myself to a sum which I regard as essential, speaking with respect both to the safety and efficiency of operation in the interest of the public and to profitable operation in the interest of its security holders. My estimate is based upon the following requirements:

Description	Total Cost	Charge to Capital	Charge to Operation
River Protection, Channel Changes, Widening Roadbed and Ballasting	\$2,427,500	\$2,097,500	\$330,000
Rail & Other Track Material.....	4,561,000	1,650,000	2,911,000
Bridges & Culverts, Tunnels & Subways, Grade Crossings, Signals & Interlockers, Fences & Snow Sheds, Stations, Fuel & Water Facilities, etc.....	2,065,037	1,308,000	757,037
Shop Buildings, Shop Fixtures & Tools and Engine Houses	708,600	634,500	74,100
EQUIPMENT:			
Betterments to Equipment.....	1,653,500	846,000	807,500
New Equipment.....	6,154,600	6,154,600	.....
Urgently necessary additions to and improvements of Trackage	3,100,000	3,100,000	.....
Total	\$20,670,237	\$15,790,600	\$4,879,637

The foregoing estimated expenditures, will, in my opinion, be required during the years 1922 to 1926, inclusive. There are also other items of improvement which are highly desirable and for which this estimate contains no provision. For example, no allowance is made for shops other than the improvement of existing facilities. It must be understood that other very substantial expenditures must be made during the years immediately following 1926, and that also as expenditures are made experience may indicate somewhat different subdivisions of the expenditures now foreseen, although a reduction of the aggregate seems highly improbable.

Respectfully submitted,

(Sig.) J. H. YOUNG.

Exhibit 6.

THE WESTERN REALTY COMPANY

A. R. BALDWIN
President

(ROBERTS LUMBER COMPANY)

C. B. HOTCHKISS
Secretary

321 Equitable Building
DENVER, COLO.

43 EXCHANGE PLACE,
NEW YORK, January 18, 1922.

MR. JOHN HENRY HAMMOND, CHAIRMAN OF THE COMMITTEE,
CONSTITUTED BY THE DEPOSIT AGREEMENT, DATED MAY 28, 1917,
FOR THE FIRST AND REFUNDING 5% MORTGAGE GOLD BONDS OF
THE DENVER AND RIO GRANDE RAILROAD COMPANY,
59 WALL STREET, NEW YORK CITY, N. Y.

DEAR SIR:

You have inquired from me as to the estimated value of The Western Realty Company stock referred to in the Plan of Reorganization of The Denver and Rio Grande Railroad as being an asset which, under the terms of the plan, may be transferred to the reorganized company, as of the value of at least one million dollars.

In my opinion, which is based upon a recent report of competent timber cruisers and appraisers relating to the timber holdings of the Company, the stock of this Company, after taking into consideration all assets, less all liabilities, represents a net value in excess of one million dollars.

Yours very truly,

(Signed) A. R. BALDWIN.

Annexed to the Original Plan is an Agreement of Reorganization in substantially the customary form.

FEBRUARY 1, 1922.

To the Stockholders of

THE WESTERN PACIFIC RAILROAD CORPORATION:

On the first day of August, 1921, transfers of the properties of The Denver and Rio Grande Railroad Company (the Old Denver Company) to The Denver and Rio Grande Western Railroad Company (all stock in which is owned by this Corporation) were made pursuant to decrees of the Federal Court which had theretofore held such properties under the control of its Receiver.

Certain matters connected with the receivership (involving accounts between the Old Denver Company and the United States, arising out of the so-called Federal Guaranty), are still unsettled, but substantially all of the important assets of the Denver Company have been sold. This Corporation is now the owner of the following securities, properties and moneys:

The entire capital stock of The Western Pacific Railroad Company, (operating the Western Pacific lines);

The entire capital stock, (300,000 shares without par value) of The Denver and Rio Grande Western Railroad Company, (operating the Denver and Rio Grande lines);

The entire issue of the capital stock of The Western Realty Company, (a timber-owning corporation), appraised and purchased by this Corporation for the sum of \$1,000,000; and

The entire capital stock of Utah Fuel Company, (a large coal producing company operating in Utah and Colorado), which, however, is pledged as part security under the First Consolidated Mortgage of The Rio Grande Western Railway Company but is redeemable upon payment of \$6,000,000 in cash or in bonds issued under said mortgage.

It is also the owner of about 99% of all of the bonds and stock of the Sacramento Northern Railroad in which this Corporation has invested approximately \$4,337,000 (to be reimbursed as explained below); also Liberty Bonds, stock in the Rio Grande Junction Railway Company, work equipment (in use by The Denver and Rio Grande Western Railroad Company), miscellaneous bonds and stock of other corporations, (principally underlying bonds of the Old Denver Company) and cash and receivables all-told, estimated to represent an additional value of approximately \$6,650,000, most of which is readily realizable. It is the owner of \$5,175,000 principal amount of Adjustment Mortgage Bonds of the Old Denver Company which are pledged to secure an equal amount of the Four Per Cent. Ten Year Secured Notes of this Corporation, but may be withdrawn, *pari passu*, as notes are surrendered for cancellation. It owns a relatively small amount of stocks and notes of this Corporation and bonds of The Western Pacific Railroad Company having, however, a substantial value; also various stocks, bonds and claims against subsidiary and other corporations to which no value can now be assigned.

Substantially the only indebtedness of this Corporation, other than for current operation and legal expenses, consists of \$5,175,000 of the Four Per Cent. Ten Year Secured Notes above mentioned.

The indebtedness of the Old Denver Company, which is secured by a lien upon the properties of The Denver and Rio Grande Western Railroad Company (but none of which has been assumed by The Denver & Rio Grande Western Railroad Company), is set forth in detail on page 4 of the Plan of Reorganization mentioned below.

DENVER AND RIO GRANDE REORGANIZATION

Protracted negotiations extending over considerably more than a year have been conducted with the Protective Committee representing the holders of bonds secured by the First and

Refunding Mortgage of the Old Denver Company, and as a result of these negotiations a Plan of Reorganization which is substantially identical with the plan of reorganization referred to in this Corporation's letter to its Stockholders dated November 1, 1920, has been agreed upon between the Protective Committee and this Corporation. There is enclosed herewith a copy of the Plan of Reorganization, which sets forth, also, the condition, requirements and earnings of the Denver & Rio Grande property.

Briefly summarized, the Plan contemplates the extinguishment, by foreclosure or otherwise, of the Refunding and Adjustment Mortgages of the Old Denver Company, transfer of the properties subject thereto to The Denver and Rio Grande Western Railroad Company or to a New Company, which shall hold also all unmortgaged assets of The Denver and Rio Grande Western Railroad Company, and the creation by the Reorganized Denver Company of an open Unifying Mortgage (to rank next after the existing divisional mortgages) which it is believed will afford sufficient credit to provide funds for necessary future capital expenditures. In subordination to this Unifying Mortgage there is to be created, in event that the Plan is carried into effect, a mortgage termed in the Plan a "Sinking Fund Mortgage". The Sinking Fund Mortgage will be a closed mortgage securing not to exceed (approximately) \$20,557,000. 5% Bonds which may be issued in part exchange for, or sold and their proceeds applied towards the satisfaction of, the existing Refunding issue and/or Adjustment issue of the Old Denver Company. There is also authorized the issuance of not to exceed \$50,000,000. par value of 7% Cumulative Preferred Stock of the reorganized Denver Company, of which a maximum of approximately \$25,557,000., par value, may be issued in part exchange for, or sold and the proceeds applied to the extinguishment of, the Refunding and Adjustment Bonds of the Old Denver. The Plan authorizes provision to be made for settlement of the claims of Adjustment Bondholders on account of accrued but unearned interest by means of Preferred Stock or Preferred Stock and Sinking Fund Bonds. The amount of Sinking Fund bonds authorized to be issued is not to exceed 50% of the face value of Refunding and Adjustment Bonds and interest upon Adjustment Bonds accrued and unpaid. No agreement has yet been made with the Adjustment Bondholders. A majority of the issue, however, is owned by this Corporation. The Common Stock of the New Denver Company, or its successor, will be increased by the issuance of 100,000 shares, probably without par value; this stock will be Common Stock subordinate to the Preferred Stock, and is to be purchased by this Corporation through payment of cash (and assets accepted as the equivalent of cash) amounting in the aggregate to a sum somewhat in excess of \$10,000,000. The entire plan is subject to its acceptance by an adequate proportion of Refunding bonds and to the approval of the Interstate Commerce Commission.

The fact that some such readjustment as that proposed is essential in order that The Denver and Rio Grande Railroad may be financed and perform adequate services as a carrier has been long recognized by everyone familiar with the condition of the property and its operating conditions. The Western Pacific Railroad Company's dependence on the lines of the Denver and Rio Grande for its westbound business, and also for the satisfactory handling of the larger portion of its eastbound traffic makes it essential that this Corporation see to it that the Denver System, if reasonably possible, shall be reorganized in such a manner as to make it an efficient instrumentality of commerce.

If the Plan be carried out, the result of all proceedings against the Old Denver Company taken by this Corporation will have been the (a) substitution of this Corporation for the former stockholders of the Old Denver Company under a Plan by which the securities of the Old Denver Company are so readjusted as to make possible the necessary financing of future requirements, (b) the reinvestment in the common stock of the Reorganized Company of all money and property heretofore received by this Corporation as a result of litigation (save and except the equity in the stock of the Utah Fuel Company and a cash reserve of a relatively

small amount not now susceptible of determination), and (c) the subordination thereof to securities issued in lieu of the Adjustment and Refunding Bonds of the Old Denver Company.

UTAH FUEL STOCK

This stock is pledged, as stated, under the First Consolidated Mortgage of The Rio Grande Western Railway Company pursuant to a special agreement providing for the release thereof on the payment of \$6,000,000, or the cancellation of First Consolidated Mortgage bonds in an equal amount.

The stock of the Utah Fuel Company was sold under execution in 1918 (having been attached in 1917) and was purchased for the benefit of this Corporation subject to the conditions of the pledge above mentioned. Title of this Corporation to the stock, however, is still called in question by the Bankers Trust Company and The New York Trust Company, Trustees of the Refunding and Adjustment Mortgages. It is believed that no substantial doubt concerning the success of this Corporation in the pending litigation which involves that question (as well as the right of this Corporation to retain the dividends upon the stock which it has received) can reasonably be entertained but in any event the execution of the Plan of Reorganization necessarily will remove any such doubt, if any be possible.

SACRAMENTO NORTHERN RAILROAD

The securities of the Sacramento Northern Railroad were purchased by this Corporation for transfer to The Western Pacific Railroad Company; this transfer has been authorized by the Railroad Commission of California; bonds of The Western Pacific Railroad Company, the proceeds of which are sufficient fully to reimburse this Corporation for expenditures made in acquiring the Sacramento Northern securities, have been sold and the cash with which to reimburse this Corporation is held available by The Western Pacific Railroad Company. The transfer will be made as soon as approved by the Interstate Commerce Commission and the stockholders of this Corporation. This will result in this Corporation's receiving in cash the amount of its investment in the property and/or securities of the Sacramento Northern and the transfer of the latter to a subsidiary of The Western Pacific Railroad Company.

WESTERN PACIFIC RAILROAD COMPANY

Like all lines similarly situated, The Western Pacific Railroad Company has suffered seriously during the past year by reason of the general depression of business and of water-competition through the Panama Canal. The Company, however, has earned the interest accruing upon its bonds and car trust certificates and a substantial amount applicable to dividends upon this Corporation's preferred stock. During 1921 however, dividends upon preferred stock have been paid largely out of the earnings of previous periods for which dividends thereon had been earned but not paid, in whole or in part. At the end of the year 1921, there remained dividends accrued and unpaid upon preferred stock, to which available earnings of previous years were applicable, aggregating approximately $5\frac{1}{4}\%$. It is expected that, if and as required, this reserve will be used, supplementing earnings, for the payment of dividends on the preferred stock now outstanding.

The Western Pacific Railroad Company now has outstanding \$26,946,500., principal amount of First Mortgage bonds of which \$3,000,000 bear interest at the rate of 6% per annum and the remainder at 5%. It has on hand, in excess of all existing capital commitments, (including payment for Sacramento Northern securities and/or properties above-mentioned), cash, either in its treasury or upon deposit under its First Mortgage, amounting in the aggregate to more than \$6,000,000.

In 1918, when it was impossible for The Western Pacific Railroad Company to use the funds held under its First Mortgage, (on account of Government control of its properties and equip-

ment) the Railroad Company issued and sold \$3,600,000, principal amount of Car Trust Certificates secured by cars and locomotives costing in excess of \$4,000,000. Of these certificates \$900,000 were paid, up to and including August 1, 1921. The Railroad Company has recently sold, under competitive bidding, with the sanction of the Interstate Commerce Commission, \$3,000,000, principal amount, of its First Mortgage 6% Bonds (ranking as to security with its previously issued 5% bonds) at 97.7779 and has arranged to retire with the proceeds the remaining \$2,700,000 outstanding Car Trust Certificates. When this operation has been completed, no part of the equipment of The Western Pacific Railroad Company will be subject to any car trust or similar arrangement.

STOCK DIVIDEND

It is intended that in the event that the reorganization contemplated by the accompanying Plan of Reorganization shall be effected, the stock-dividend referred to in this Corporation's letter to its stockholders, dated November 1, 1920, shall be declared; that is to say, that additional preferred and common stock of this Corporation will be distributed to its stockholders at the rate of one share of preferred and one share of common stock for each six shares of preferred or common stock outstanding, preferred and common stock sharing alike. This dividend is for the purpose of recognizing the rights of common stockholders in any current benefits arising from the assets derived from recoveries against the Old Denver Company and the equal rights of preferred stockholders in the fund arising from such recoveries, all as contemplated and authorized by the Amended Articles of Incorporation of this Corporation.

Respectfully Submitted,

BY ORDER OF THE BOARD OF DIRECTORS,

THE WESTERN PACIFIC RAILROAD CORPORATION,

By ALVIN W. KRECH,

Chairman.

